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party voters at the primary election, and also provided for an innovation; namely, a platform convention held *prior* to the primary election, and expressly forbidden to take any action regarding candidates for nomination.

The acts of four of these states contain provisions regulating campaign contributions, expenditures, or political advertising in connection with primary elections.¹³ Colorado prohibits contributions to the expenses of any candidate by any "person, copartnership, organization, or corporation." California, Colorado, and Idaho limit expenditures both as to the amount to be spent and as to the purposes for which they may be sued. They also provide for publicity through the filing of sworn itemized statements of all expenditures. In Idaho any expenditure for other than defined "personal expenses" not only renders the person liable to criminal prosecution, but also disqualifies from becoming a candidate for office or from holding office if elected. Michigan does not directly limit expenditures, but does indirectly by advanced regulation of political advertising. The posting of campaign cards or other political advertising matter is prohibited. The size of political cards or other matter for distribution, and also of any published likeness of a candidate for nomination, is strictly limited. Aside from such personal cards, circulars, etc., the avenues of political advertising are restricted to "a daily, weekly, or monthly newspaper which has been regularly and bona fide published and circulated for at least three months . . ." The size of type to be used is regulated, and the price paid is not to exceed that charged others for non-political advertising. On the other hand, Oklahoma, in 1909, repealed completely the provisions of her law respecting political advertising in newspapers.

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Tax Legislation.¹ Many important changes in constitutional provisions and in the statutes relating to taxation and assessment, have been made during the past twelve months. These changes are in some cases the direct result of the annual conferences held since

¹³ In Maryland this ground had already been covered in her corrupt practices act of 1908.

¹ This summary of tax legislation during the last twelve months is adapted from an address on this subject at the Fifth Annual Conference of the National Tax Association, Richmond, Va., September 5-8, 1911, by A. C. Pleydell, secretary of the Association, New York City.

1907 by the International (now National) Tax Association, and, in general, carry out policies that have been recommended by these conferences in formal resolutions and advocated in the addresses and discussions.

The leading tax provision of the new Arizona constitution follows the resolution of the first conference in 1907, inasmuch as it imposes no restraint upon the classification of property. The California constitutional amendment taxes public service corporation property as a whole, conforming to the resolution of the second conference favoring assessment of such corporations by the smallest possible number of assessing boards; and also provides a plan of separation of state and local revenue. The New York inheritance tax amendments follow the provisions of the model inheritance tax law endorsed at the fourth conference last year, and conform to the resolutions adopted at the first conference in regard to interstate comity and the avoidance of double taxation. The taxation of moneys and credits in Iowa and Minnesota has been changed and a low, fixed annual rate adopted, thus following the various recommendations and reports at the different conferences regarding the failure of the general property tax system, and the desirability of classifying property. The New York secured debt law goes a step further and substitutes a specific tax upon bonds and securities in place of the general property assessment.

Constitutional Provisions. Constitutional conventions were held last year in Arizona and New Mexico for the purpose of framing constitutions to govern these states when admitted. A memorial on the subject of constitutional restraints on the taxing power, was prepared, on behalf of the International Tax Association, and submitted to the officers and delegates of the conventions. This memorial recited the resolution adopted at the conference of 1907 to the effect that state constitutions should not contain restraints upon the reasonable classification of property, and submitted the following text as the sole provision necessary to be embodied in a constitution, on the matter of taxation.

"The power of taxation shall never be surrendered, suspended, or contracted away. All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax, and shall be levied and collected for public purposes only."

That provision was adopted, without change, as section 1 of article 9 of the Arizona constitution. While that article contains other

provisions relative to taxation, we do not believe that any of these conflict with the purpose of the provision above recited.

California made a radical fiscal change by adopting a constitutional amendment that changes entirely the taxation of public service corporations and also practically establishes a separation of state and local revenue. This is the result of an investigation begun in 1906 by a special tax commission of which Prof. Carl C. Plehn is secretary, and the amendment carries out their recommendations. It provides for state taxation of public service corporations and the exemption of their operating property and franchises from local assessment and taxation. The state tax is based upon gross earnings and the rates are fixed in the amendment, but may be changed by a two-thirds vote of the legislature.

The rates vary on different classes of corporations, from two per cent to four per cent. They were determined by taking each class of corporations, as, for example, street railways or electric light companies, and ascertaining the total burden of state and local taxation upon all companies in that class under the general property tax. The total gross earnings of all companies in a class were then ascertained; and a gross earnings tax rate fixed which would produce the same total revenue from the same class of companies as the general property tax. Insurance companies are taxed 1 1-2 per cent on gross premiums, and banks one per cent on capital, surplus, and undivided profits. There is also a state tax of one per cent on the "franchises" (to do business) of other corporations. The act of April 1, 1911, carries out the details of the amendment.

California has had heretofore a comparatively heavy "direct state tax," and the state revenue from the gross earnings tax is expected to reduce the state direct tax sufficiently to offset the loss of such corporation property from the local tax rolls.

Oregon, also, voted upon constitutional amendments in November, 1910, and the situation there is a curious one.

Two amendments were submitted by the legislature, designed to repeal the requirement of uniform taxation of all property and to permit the legislature to classify property for taxation at different rates or to exempt as it saw fit. A third amendment was submitted by initiative petition. This amendment provided, first, that no poll tax should be imposed; second, that no law enacted by the legislature in regard to taxation should become effective until ratified by the people at the next general election; third that no restriction of the

constitution should apply to any measure relating to taxation or exemption, approved by the people, whether passed by the legislature or submitted by initiative petition; fourth, it empowered the people of the several counties "to regulate taxation and exemptions within their several counties, subject to any general law which may be hereafter enacted."

The two amendments proposed by the legislature were defeated, and the one proposed by initiative petition was adopted by a narrow margin.

The underlying purpose of this amendment was to provide complete county option, but no enabling machinery was provided and opinions on both sides differ as to whether existing laws will cover such an election. Even had the legislature desired to provide such machinery its hands were tied by the provision that no tax legislation can be effective until ratified at the next general election. The amendment prevents all progress until the fall election of 1912 and there was no tax legislation this year.

The legislature has resubmitted to the people two amendments practically identical with those defeated last year, and designed to give the legislature a free hand in dealing with tax matters. It has also submitted an amendment repealing the one adopted last year with the exception of the provision relating to the poll tax.

Changes in Tax Laws. The changes of general interest made in the statutes may be divided into three groups, those affecting personal property; those affecting inheritances; and those affecting administration.

Personal Property Tax. Iowa placed moneys and credits in a special class to be taxed, after making an offset for debts, at a rate uniform through the state of five mills. The tax is assessed and collected where the owner resides, and divided upon the same pro rata basis among various funds as other taxes collected in such district. This law does not apply to banking capital or shares. The tax ferret law of 1900 and all acts giving local officials the power to employ ferrets, was repealed.

Michigan enacted a mortgage-recording tax of 50 cents on the \$100, similar to the New York law, and exempting mortgages from local assessment.

Minnesota enacted an annual tax of three mills on the fair cash value of "money and credits" in lieu of all other taxes. "Money" includes all forms of currency in common use, and bank deposits

"Credits" include "every claim or demand for money or other valuable thing, every annuity or sum receivable at stated periods, due or to become due, and all claims and demands secured by *unrecorded* deed or mortgage, due or to become due." The former offset for debts has been repealed, and no deduction is allowed.

These forms of personal property are listed, assessed and equalized separately from other classes of property, sworn confidential lists being made out by the persons assessed. In case of failure to make such list, the assessor is given power to fill out the same to the best of his knowledge, and a penalty of fifty per cent. is added thereto.

The tax is collected in the same manner as other personal property taxes, and is distributed, one sixth to the revenue fund of the State of Minnesota, one sixth to the county revenue fund, one third to the city, village or town, and one third to the school district in which the property is assessed.

The new law does not include money and credits of banks, bonds and notes secured by mortgage in Minnesota, and state and municipal bonds. Bonds of the State of Minnesota or its governmental subdivisions, hereafter issued, have been exempted from all taxation except the inheritance tax. It should be noted that Minnesota has had for several years a recording tax similar to the New York law, and exempting mortgages on Minnesota real estate from the general property tax.

New Hampshire exempted money loaned at not exceeding five per cent and secured by note or mortgage on real estate in the state.

New York has enacted a flat tax payable once only and to the state, at the rate of one-half per cent on the face value of "secured debts." The term includes all mortgages not recorded in New York and bonds or notes or debentures secured thereby, also unsecured serial bonds, and state and local bonds of other states. The tax is an extension of the mortgage-recording tax plan and supplementary thereto. Payment gives exemption from local taxation. If this state tax is not paid, the secured debts continue to be assessable locally, but without deduction for debt.

Wisconsin has enacted a state graduated income tax, carrying with it exemption of such personal property as moneys and credits, stocks, household furniture and farm machinery. And taxes paid on personal property not exempted, can be deducted from the sum due for income tax.

Exemptions are \$800 to an individual income; \$1200 to husband and

wife; \$200 for each child under eighteen, or each person for whose support the taxpayer is liable. Incomes of non-residents from property in the state are taxable without exemption. The rates range from one per cent on the first thousand dollars of taxable income, up to six per cent on all above \$12,000. The tax is divided, ten per cent to state, twenty per cent to county, and seventy to the town where the income is derived.

Corporation incomes are taxed on a differently graded scale, based on the relation between profits and assets employed. Dividends are then exempted from the individual income tax.

The state tax commission administers the tax and is empowered to appoint income tax assessors, not less than one in each county, for three-year terms. Such assessors will also have the powers of the present county supervisors of assessment over the local assessors.

Bonds of local subdivisions have been exempted by another statute from the property tax.

Ohio seems to have adopted a reactionary attitude in personal property taxation. In that state the law allows debts to be offset against credits only. The legislature passed a bill to define bank deposits or credits (following in this the rule adopted in the State of Washington), but this bill was vetoed by the governor. The legislature also passed a bill amending the law relating to the powers of the state tax commission so that it could not be interpreted to permit the commission to demand from banks and financial institutions the names of their depositors and amounts of their respective deposits. This also was vetoed by the governor.

Despite the notorious failure of the general property tax in Ohio, as evidenced by the reports of its own investigating commission and confirmed by investigators of other states, who held Ohio conditions up as a horrible example to their own states, Ohio seems determined to continue the vain attempt to reach personal property under the general property act by drastic and inquisitorial methods.

Oklahoma also is experimenting with inquisitorial methods, having adopted a tax ferret law despite the sad experiences of other states.

Inheritance Tax. New York took a pronounced stand in favor of interstate comity in tax matters by exempting certain intangible property of non-resident decedents from the inheritance tax. Other important changes were also made.

Prior to last year, the rates had for a number of years been one per cent on amounts to direct heirs and five per cent to collaterals. If

less than \$10,000 passed to direct heirs, or less than \$500 to collateral, the estate was exempt. In 1910 the law was radically changed. The rates were based on the bequest and went up to five per cent on direct and twenty-five per cent on collateral on the excess over \$1,000,000. The exemptions were lowered to \$50,000 and \$500 for direct and \$100 for collateral. The double taxation in which New York had been a conspicuous offender was continued and aggravated by the high rates.

This year the law has been amended so that money and securities of non-residents deposited in the state and their shares in New York corporations, are exempt. (Such property is generally liable in the state of the decedents' residence.) This exemption does not depend upon reciprocal provisions of other states but is absolute. It follows the "model law" endorsed by the International Tax Conference in 1910, and stops so far as New York can, double taxation of such property. The high rates of last year have been modified, four and eight per cent being the maximum, and the exemptions are more liberal, though the principle of progressive graded rates has been retained.

In addition, bequests to religious, educational and charitable purposes, outside the state, are given the exemption heretofore confined to bequests to such purposes within the state.

California, on the other hand, has increased its inheritance tax rates until they now reach a maximum of twenty-five per cent on bequests in excess of \$500,000 to distant relations and strangers; the greatest rate previously having been fifteen per cent.

Maine has exempted, when owned by non-residents, shares and bonds of corporations organized under its laws, that have less than \$1,000 of tangible property in the state.

Iowa and Minnesota have readjusted their rates.

Administration. State Tax Commissions have been created in three states: Colorado, New Hampshire and North Dakota. In general the laws follow the Minnesota and Kansas acts and give broader powers than is possessed by most of the older state tax commissions.

New York has radically changed its method of assessing real estate. Assessments will now be *in rem* everywhere, as they have been in some cities only. Tax maps may be adopted and property assessed by block and lot numbers. The separate assessment plan used in New York City has been extended to all cities in the state. A mathematical rule for equalization by county supervisors between local tax districts has been placed in the statute. The state comptroller is directed to compile annually statistics relating to local taxes and

expenses and the provisions for sinking funds. The assessment of special franchises has been improved by conferring additional powers upon the state board of tax commissioners.

Oklahoma abolished township assessors and township boards of equalization. County assessors are to be appointed by the governor for next year and their successors are to be elected in November, 1912, and biennially thereafter, for two-year terms. The compensation of the county assessor is graded according to the assessed calculation, and he must pay whatever deputies he appoints. The county commissioners are made a board of equalization of which the assessor is secretary, and have summary power to correct the assessment roll, subject to appeal.

North Carolina increased the powers of the corporation commission (which performs the duties of a tax commission). The commission is to appoint a county assessor in each county for a two-year term, who shall devote not exceeding three months to his work and receive four dollars a day for time actually employed. He is to have general supervision over the township or city assessors, who are appointed by the county commissioners annually.

Michigan restored to the state board of tax commissioners the power (of which they were deprived in 1905) to review assessments in any district on their own initiative, and to order a reassessment.

Ohio enacted a new tax limit law (replacing the law of 1910 that had not yet been applied). This law provides that the total tax rate for all local purposes levied in any district, shall not exceed ten mills (\$1 on the \$100). Maximum rates are specified for county, city, township, and school purposes, aggregating fifteen mills. A budget commission is established for each county, consisting of the county auditor, the mayor of the largest city in the county and the prosecuting attorney, who pass upon all local appropriations, and if these would require a higher total rate than ten mills the commission is to adjust them as it sees fit to within the limit. Specific increases over the local or the total maximum rate may be authorized by popular vote, but the aggregate tax rate must not exceed fifteen mills. These limits do not seem to include the state "direct" tax which, however, is very small.

The law provides also that the total amount raised in any tax district in 1911 shall not exceed the levy of 1910 by more than six per cent, that raised in 1912 shall not exceed 1910 more than nine per

cent, and in subsequent years shall not exceed by more than twelve per cent.

The purpose of this legislation is to keep the great increase in valuations (effective this year) from leading to an increase in expenditures. The exact effect of some provisions of the law are in dispute and this summary is only a general description of its intent.

The tax commission law of 1910 was also revised, strengthening the powers of the commission, especially in the enforcement of the "excise" taxes on corporations.

Miscellaneous. Special tax commissions have been authorized in several states. In Michigan a commission of three members, investigating particularly corporation taxes, was appointed and is nearly ready to report. In Utah a commission of three was authorized to revise the revenue laws of the state. In Iowa a commission of five was authorized and appointed to investigate taxation generally, and report to the governor in October, 1912.

In Connecticut the governor is directed to appoint a commission of three to examine into the methods of taxation of railways and street railways, and of other corporations paying taxes to the state, to report in 1912.

The Pennsylvania commission of 1909 submitted a report and was continued. The Rhode Island commission of 1909 submitted a second report and continues. Delaware authorized a commission, to report in 1913; this is a continuation of the 1907 commission. The Maryland and Virginia commissions of 1910 continue and report, in 1912.

Idaho has given an exemption of \$200 to all buildings.

In Pennsylvania the classification of real estate within city limits into city, suburban and agricultural, to be taxed at varying rates, was abolished in second-class cities (Pittsburgh and Scranton), but continues in Philadelphia. The system had produced most glaring inequalities. Ontario also abolished a somewhat similar "farm land exemption" in cities.

While not, perhaps, strictly tax legislation, two other matters affecting public revenues may be of interest.

Massachusetts and New York will submit to the people this Fall, constitutional amendments designed to permit "excess condemnation." That is, to empower a city, subject to general law, to condemn more land than is actually needed for a public improvement such as a new street or park. Massachusetts limits the area to a depth sufficient for building lots. The purpose is to give the city control over the

development of such abutting property by perhaps reshaping the lot lines, and also to get back some of the cost of such an improvement by leasing or selling this property at an increased value, due to the improvement.

The provincial legislature of Ontario, not being hampered by constitutional limitations, enacted a statute giving cities broad powers of "excess condemnation."

The new conservation law of New York provides (among other things) for the building of reservoirs and development of water-power to be leased by the state, and provides also that the cost of such improvement may be assessed upon either individual property or upon an entire district deemed to profit thereby.

This general summary of tax legislation does not include all tax law changes, and some omitted may be more important to the locality or interest affected, than others which have been included because they illustrate general tendencies rather than because they are in themselves important.

These tendencies may be summed up briefly. First, greater freedom for legislatures from constitutional restraints on the taxing power; second, a recognition of the failure of the general property tax, and the substitution of classification for the so-called "uniform rule"; third, changes from *ad valorem* to specific taxes; fourth, to improve assessment by establishing state tax commissions with supervisory powers, and also by improving local assessment conditions.

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